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RUEKJCS/JOINT STAFF WASHDC IMMEDIATE  
RUEHGV/USMISSION GENEVA IMMEDIATE 1598  
RUEHVEN/USMISSION USOSCE IMMEDIATE 3653  
RUCNDT/USMISSION USUN NEW YORK IMMEDIATE 3046  
RUEHNO/USMISSION USNATO BRUSSELS BE IMMEDIATE  
RUEHBS/USEU BRUSSELS IMMEDIATE  
RUMICEA/USCENTCOM INTEL CEN MACDILL AFB FL IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 BISHKEK 001293

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TAGS: [ECON](#) [PREL](#) [KG](#)

SUBJECT: AMBASSADOR MEETS WITH NEW KYRGYZ ECONOMIC MINISTER

REF: BISHKEK 1199

Classified By: Amb. Tatiana Gfoeller, Reason 1.4 (b) and (d).

11. (C) SUMMARY: In a meeting with Ambassador Gfoeller, Minister Jenishbek Baiguttiev of the newly created Ministry of Economic Regulation said that he would like Kyrgyzstan to develop a closer economic relationship with the U.S. He also described Kyrgyzstan's concerns with the recent customs union formed by Russia, Kazakhstan and Belarus. In an effort to increase exports, Baiguttiev said that the Kyrgyz government would like to establish laboratories that could certify that Kyrgyz agricultural products meet international standards, and requested USG assistance. It was clear from Baiguttiev's remarks that his Ministry is still trying to establish its area of responsibility separate from the newly created Central Agency for Economic Development, Investment, and Innovation, headed by Maxim Bakiyev (reftel). SUMMARY

#### Seeking A Closer Economic Relationship

12. (U) The Ambassador met on December 9 with Minister Baiguttiev, who recently assumed his position at the Ministry of Economic Regulation, created during the recent government restructuring. The new Ministry has inherited some of the responsibilities of the former Ministry of Economic Development and Trade, but many of the former Ministry's responsibilities have been assigned to the Central Agency for Economic Development, Investment, and Innovation. Baiguttiev comes to the Ministry from the private sector, having spent many years in management positions at Toluby Bank, a small Kyrgyz bank.

13. (C) Baiguttiev said that he thought there was great potential for increased economic ties between Kyrgyzstan and the U.S. He noted that President Bakiyev wanted to develop Kyrgyzstan's relationship with the U.S., not only politically, but also economically. Baiguttiev said that he hoped that there could be increased formal bilateral dialogue with the U.S. to achieve a closer relationship. He noted that the Trade and Investment Framework Agreement discussions were a good step, but that more bilateral discussions were needed. The Ambassador explained that the U.S. government had in fact initiated a process for greater dialogue through the up-coming Annual Bilateral Consultations (ABCs). She said that the ABCs would include all aspects of our bilateral

relationship, including economic issues.

#### Customs Union Troubling for Kyrgyzstan

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¶4. (C) Baiguttiev said that the newly formed customs union between Russia, Kazakhstan and Belarus would create trade problems for Kyrgyzstan. He explained that if Kyrgyzstan did not join the customs union it would make trade with Russia and Kazakhstan more difficult. Products exported from Kyrgyzstan, both Kyrgyz products and re-exported products, had already experienced discrimination from these important trading partners. However, the common external tariffs for the customs union would in some cases be higher than Kyrgyzstan's current tariff rates. Baiguttiev said the Kyrgyz government was still analyzing its position on this issue and had not yet made a decision.

#### Selling to Afghanistan and Reducing Debt

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¶5. (C) Baiguttiev said that Kyrgyzstan hoped to diversify its export markets, and in particular was interested in the Afghanistan market and supplying the logistics materials for the international reconstruction efforts in Afghanistan. He noted that Kyrgyz products could include water, garments, and agricultural products.

¶6. (C) Baiguttiev noted that Kyrgyzstan had reduced its debt to a safe level, but that the level of debt could become a problem again if there were further economic crises. He requested U.S. forgiveness of some of Kyrgyzstan's debt. The

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Ambassador explained that the U.S. government did not hold any Kyrgyz government debt and that the Kyrgyz government would have to discuss its debt issues with the international financial institutions, such as the World Bank and IMF.

#### Trying To Meet International Standards

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¶7. (C) Baiguttiev said that in order to increase its exports of agricultural products, Kyrgyzstan needed the capacity to certify that its products met international standards. He explained that the Kyrgyz government had plans for two certification laboratories, one in Bishkek and one in the South, and he requested U.S. assistance in creating these laboratories. The Ambassador replied that perhaps funding for these laboratories could come from the joint Kyrgyz-U.S. Economic Development Fund, since the aim of the laboratories was to support economic development.

#### Tension Between The Ministry And Central Agency

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¶8. (C) Baiguttiev mentioned the Central Agency for Economic Development, Investment, and Innovation numerous times during the discussion making it apparent, though he did not explicitly say so, that there is tension between his Ministry and the new Agency. The Central Agency has assumed management of many of the highest-profile economic issues, as well as the lead on discussions with international donors. In addition, it appears that the division of responsibility and authority between the Central Agency and the Ministry is not yet entirely clear.

GFOELLER